



March 28, 2006

Robert E. Feldman, Executive Secretary  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
**Washington, D.C. 20429**  
**Attention: Docket No. PR-28-2006**

RE: Wal-Mart's Application for Federal Deposit Insurance

Dear Sir or Madam:

The Maryland Bankers Association ("MBA") is pleased to provide this comment letter to the Federal Deposit Insurance Corporation in response to the application that has been filed with you for the approval of deposit insurance for a Utah industrial loan corporation ("ILC") to be known as "Wal-Mart Bank" (the "Application").

The MBA's membership includes community, regional and interstate financial institutions and holding companies, as well as savings association, trust companies and savings banks located or doing business in the State of Maryland.

For the reasons that follow, the MBA's position is that the Application should be rejected.

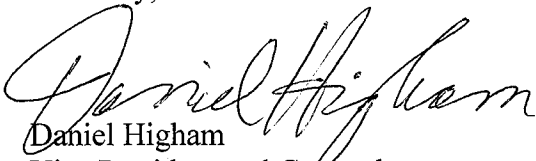
1. Separation of Banking and Commerce – There is a long tradition in the United States of the separation of banking and commerce. While the Gramm-Leach-Bliley Act ("GLBA") has re-defined the parameters of this separation (i.e., it is now legally permissible for banking, securities and insurance firms to affiliate under the financial holding company structure), by closing the door on unitary thrifts, GLBA clearly re-affirmed this long standing policy. Therefore, to provide FDIC approval for insurance coverage to the world's largest commercial firm, a retailer (and there's never been any question but that retailing is firmly rooted in "commerce"), would be a shocking renunciation of these traditional separation principles as re-affirmed by GLBA.
2. Safety and Soundness – As a corollary to #1, the inability of the Federal Reserve Board to provide oversight of a commercially owned ILC presents substantial safety and soundness concerns. A recent Government Accountability Office report noted that the FDIC does not have the same powers to oversee a holding company's operations as does the Federal Reserve. The report concluded that the Federal Reserve can examine the bank holding company itself and any of its non-bank subsidiaries at any time, while the FDIC is generally unable to examine affiliates of banks. The Federal Reserve can also establish consolidated capital requirements to ensure that owners are a source of financial

strength for the subsidiary bank. Commercial parents of industrial banks are not subject to these capital requirements. Furthermore, because of their exponential growth in recent years, the Federal Reserve Board has stated vehement opposition to commercially owned ILCs. Given that both Chairman's Greenspan and Bernake have stated that commercially owned ILC's are not subject to adequate regulatory oversight, and have urged Congress to "fix" the loophole that even permits the FDIC's consideration of the Application, it would clearly present an unjustifiable risk to the banking system to allow a potentially huge, inadequately regulated, giant to enter the market place.

3. Fundamental Principles of Fairness – The Application includes a request for an exemption from the Community Reinvestment Act responsibilities. The possibility of a community bank's inability to compete with a Wal-Mart-like banking giant that is exempt from community reinvestment responsibilities has severe potential consequences for communities across the State of Maryland. A study conducted by Iowa State University found that, following Wal-Mart's expansion into the state, 555 grocery stores, 298 hardware stores, 293 building suppliers, 161 variety shops, 158 women's apparel stores and 116 pharmacies CLOSED. Retail Forward, a market research firm, indicates that for every one Wal-Mart SuperCenter opened, two local grocery stores close. Would the same trend occur for banking offices if Wal-Mart is authorized to directly offer banking services? Wal-Mart's establishment of banking offices in its stores would cause competitive problems for local banks the same way it has for local retailers. Because of these competitive pressures, many local banks may have to shut down or reallocate resources elsewhere, leaving Wal-Mart as the only bank in town. Any remaining small businesses in the community would be forced to seek banking services from their biggest competitor – Wal-Mart. This potential concentration of vast economic might in the hands of one giant conglomerated enterprise would clearly be anti-competitive and not in the best interests of the nation's consumers. If Wal-Mart prevails and the Application is approved, how far behind will other national/international commercial enterprises be?

We trust that for the reasons presented the FDIC will deny Wal-Mart's Application. Thank you for the opportunity to comment on this very important policy issue that has been presented to the FDIC.

Sincerely,

  
Daniel Higham  
Vice President and Counsel  
Maryland Bankers Association